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Policy Innovation Under Democratic Leadership in a ‘Weak’ State: Trade Liberalization and AFTA Implementation in the Philippines

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The Philippine economy used to be highly protectionist, and several attempts at trade liberalization had failed or been reversed. After the People Power revolution in 1986, the newly installed democratic government implemented notable trade reforms. With a still fragile economy, political instability, and strong opposition against trade liberalization, what could have prompted the Philippine government to implement trade reforms and eventually accede to AFTA, and how did the succeeding administration sustain the reforms? This dissertation examines why the Philippine government came to implement trade reforms and accede to AFTA despite the economic and political impediments. It is argued here that the motivation for the trade reforms in the Aquino years, and the sustenance of those reforms during the time of Ramos could be traced to domestic structure elements, particularly the preferences of actors, and the institutions that enabled the policy preferences to be realized. The policy preferences of actors provided the rationale to pursue trade reforms. The preferences were shaped by economic and political interests, as well as ideational factors. The institutions, both formal and informal, facilitated the policy formation and transformed the policy preferences into sophisticated policies. Moreover, the external relations of the Philippines played an important role in the trade policy shift. The changing foreign economic relations of the Philippines influenced the domestic structure and provided opportunities to open the economy. Particularly after the implementation of trade liberalization, the influence of external factors became stronger. Meanwhile, internal political factors such as leadership, coalition building, sequence of reforms, strategy and policy brokerage were crucial to removing the structural and external impediments.

The analysis of the Philippine case in trade reforms and AFTA accession in the redemocratization years sheds light on the general question of why a developing country decides to open its economy, and provides policy lessons as to how seemingly weak states can successfully sustain reforms despite political impediments. The analysis also indicates that classifying states as either weak or strong is too simplistic. States possess both strength and weakness, depending on the issue and how that issue is linked to the ruling actors' preferences, institutions, internal politics and external factors. As for the Philippines, despite its reputation as a weak state and the presence of strong opposition against trade liberalization, state strength was shown in the trade policy shift during the Aquino and Ramos years when the combination of domestic and external factors facilitated the effort by reformist actors and technocrats to develop and implement outward-oriented economic policies.